



# Electric Utility Commission Budget Briefing

## Austin Energy



June 20, 2011

**Mission:** *Deliver clean, affordable, reliable energy and excellent customer service.*



# Forecast Summary



- Prior year forecast (2011-2015) showed a funding gap in each year
  - Priority - protect utility's long-term financial stability
  - AE initiated the rate review currently underway
- FY 2011 Budget deficiency of \$53 million despite deferring capital projects & cost management efforts
  - Not sustainable
- Forecast (2012-2016) shows planned rate increase is not sufficient to close funding gap in all years
  - Gap in FY 2012 of \$7 million
  - Gap in FY 2013 of \$13 million



# Forecast Fund Summary (\$ in millions)



		2011 CYE	2012	2013	2014	2015	2016
<b>Beginning Balance</b>	\$	<b>152.8</b>	<b>99.7</b>	<b>93.0</b>	<b>79.6</b>	<b>89.0</b>	<b>171.8</b>
Revenue	\$	1,145.3	1,171.6	1,277.1	1,324.1	1,412.7	1,433.9
Transfers In	\$	0.0	0.0	0.0	0.0	0.0	0.0
<b>Available Funds</b>	\$	<b>1,145.3</b>	<b>1,171.6</b>	<b>1,277.1</b>	<b>1,324.1</b>	<b>1,412.7</b>	<b>1,433.9</b>
Fuel and Purchased Power	\$	401.0	372.2	438.7	445.9	475.3	472.9
Operating Requirements	\$	419.8	407.6	445.1	459.0	490.9	524.9
Debt Service	\$	169.2	177.5	181.5	179.8	137.4	141.5
Transfers Out	\$	178.1	185.8	185.7	189.8	185.2	209.1
Other Requirements	\$	30.3	35.2	39.5	40.2	41.1	41.9
<b>Total Requirements</b>	\$	<b>1,198.4</b>	<b>1,178.3</b>	<b>1,290.5</b>	<b>1,314.7</b>	<b>1,329.9</b>	<b>1,390.3</b>
<b>Excess (Deficiency)</b>	\$	<b>(53.1)</b>	<b>(6.7)</b>	<b>(13.4)</b>	<b>9.4</b>	<b>82.8</b>	<b>43.6</b>
<b>Ending Balance</b>	\$	<b>99.7</b>	<b>93.0</b>	<b>79.6</b>	<b>89.0</b>	<b>171.8</b>	<b>215.4</b>
Strategic Reserve Fund	\$	141.7	141.7	141.7	141.7	141.7	141.7
Debt Service Coverage		1.74	2.01	1.95	2.11	2.95	2.79
Full Time Equivalents (FTEs)		1,721	* 1,712	* 1,712	* 1,712	* 1,712	* 1,712

Ending Balance includes working capital reserve in accordance with City Financial Policy.

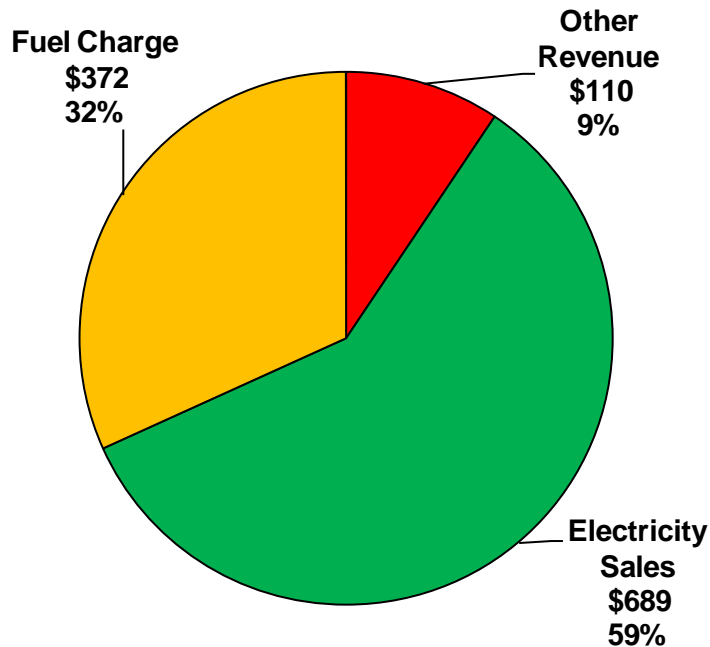
\* FTEs for Climate Protection Program transferred to General Fund.



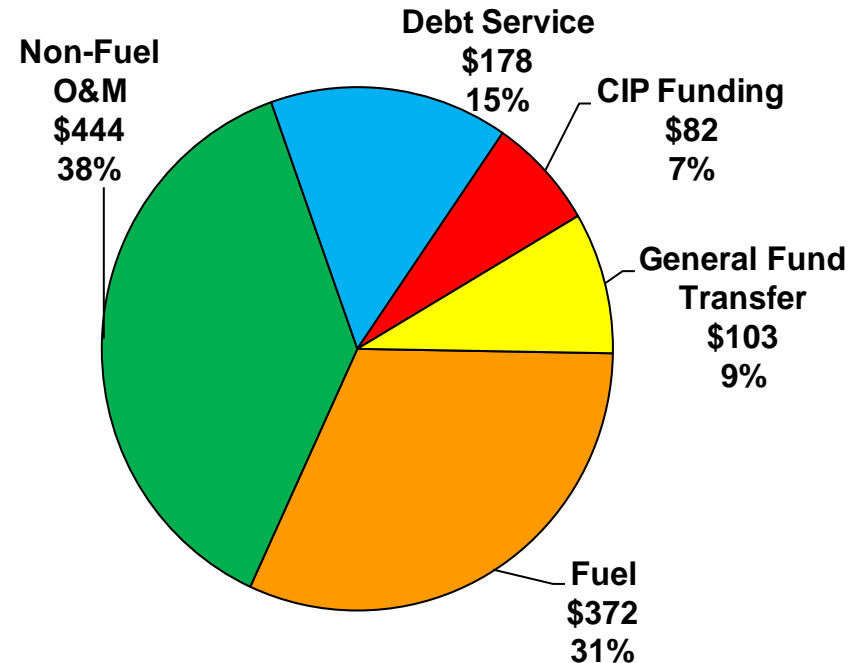
# Sources & Uses of Funds



Sources of Funds  
FY 2012 Forecast  
**\$1,172 Million**  
(In Millions)



Uses of Funds  
FY 2012 Forecast  
**\$1,178 Million**  
(In Millions)





# Actions following Forecast



- Updated current year estimate
  - Better performance than budgeted
- Revenue estimates reviewed and updated
  - Transmission Rider
  - Interest income
- Cost management and control efforts
  - Capital improvements plan (5 year plan)
  - Operating budget (one year plan)
    - Forecast included \$10 million cost reductions



# 2012 Capital Improvements Plan



## \$1.0 Billion Five Year Capital Spending Plan

\$ in Millions	Estimate						2012-2016
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Distribution	\$ 59	\$ 60	\$ 63	\$ 55	\$ 55	\$ 57	\$ 290
Distribution Substation	8	11	8	12	17	23	71
Transmission	19	22	28	16	14	15	95
Electric Service Delivery	86	93	99	83	86	95	456
Power Production	77	48	55	52	97	177	429
Customer Service Billing & Metering	14	12	6	3	2	2	25
Facilities, Technology & Support Services	22	76	16	7	6	16	121
Total	\$ 199	\$ 229	\$ 176	\$ 145	\$ 191	\$ 290	\$ 1,031

- Capital intensive industry - cost driver
- Projects for power supply, reliability and customer service
- \$1,031 million 5-year plan with \$229 million in 2012
  - Electric Service Delivery - 44% of 5-year plan
  - Power Production - 42% of 5-year plan & includes 200 MW expansion at Sand Hill Energy Center in FY 2015-2017 (deferred 2 years)



# 2012 O&M Cost Increases



- Personnel increases effective on a City-wide basis
  - Salary adjustments (3% increase or \$3.6 million)
  - Health insurance (8% increase or \$1.1 million)
  - Supplemental Retirement Contribution (2% increase or \$2.4 million)
- Transmission expense \$3.8 million increase for rising cost of Texas transmission grid
- Coal & Nuclear plant operating expense \$2.8 million
- Franchise Fees (\$1.0 million)
- Related to Capital Improvements Plan (\$17.4 million)
  - Debt service (\$8.9 million)
  - Transfer to Capital (\$8.5 million)



# 2012 O&M Cost Reductions



- Personnel
  - No new FTEs; eliminate 6 vacant positions
  - Transfer 9 positions to other City departments
- \$12 million cost reductions
- Examples (not in prioritized order)
  - \$1,524k Eliminate FY 2011 one-time expenses
  - \$630k Reduce contractual maintenance line clearance tree trimming on distribution lines
  - \$500k Reduced scope for rate review consultants
  - \$500k Defer solar rebates by reducing program funding by 12.5%
  - \$478k Reduced billing printing/supplies and postage
  - \$254k Reduce 311 temporary contract 6 positions – increases hold time
  - \$75k Reduce funding for Clean Energy Incubator from \$325k to \$250k





# 2012 Above-Base Cost Drivers



- Initial request of \$17.6 million reduced to \$10.0 million
  - If add back, challenged to find offsetting reductions
  - \$3.9 million deferred or deleted
  - \$3.3 million reduced or offset
- Examples (not prioritized)
  - \$2,500k Pole inventory audit to update GIS & improve customer billing
  - \$2,275k Sand Hill Energy Center maintenance & repairs
  - \$1,656k new facility System Control Center Extended Warranty & Maintenance (switchgear, UPS, fire alarm, chillers & pumps)
  - \$837k Web service to support ECAD compliance
  - \$470k New Oracle software support & maintenance agreement
  - \$410k Outside legal counsel (rate review & water rights)
  - \$330k lease for additional lease space at 811 Barton
  - \$150k Consulting for NERC compliance & Quality Program



# Next Steps



- Input from Electric Utility Commission
- Complete development of FY 2012 Proposed Budget

Balance budget needs against Austin Energy's mission

*Clean, affordable and reliable energy  
with excellent customer service.*



# Budget Calendar



- July 27 Proposed Budget Presented to City Council
- August 15 Present Proposed Budget to Electric Utility Commission
- August 17 Budget Work Session & Public Hearing
- August 24 Budget Work Session & Public Hearing
- September 1 Public Hearing on Property Tax Rate
- September 12, 13 and 14 Budget Approval Readings

## Questions or Comments

more information available at:

[www.ci.austin.tx.us/budget](http://www.ci.austin.tx.us/budget)